

March 2000

FINANCIAL AUDIT

Capitol Preservation
Fund's Fiscal Years
1999 and 1998
Financial Statements



G A O

Accountability * Integrity * Reliability

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United States General Accounting Office
Washington, D.C. 20548

**Accounting and Information
Management Division**

B-284560

March 14, 2000

To the President of the Senate and the
Speaker of the House of Representatives

This report presents our opinion on the financial statements of the Capitol Preservation Fund for the fiscal years ended September 30, 1999 and 1998. It also discusses our consideration of internal controls in conducting the audit and our evaluation of compliance with laws and regulations during fiscal year 1999. We conducted our audit pursuant to 40 U.S.C. 188a-3 and in accordance with generally accepted government auditing standards.

We are sending copies of this report to the members of the Capitol Preservation Commission; the Honorable Alan M. Hantman, Architect of the Capitol; the Honorable James H. Billington, Librarian of Congress, and other interested parties.

Robert W. Gramling
Director, Corporate Audits
and Standards



B-284560

To the President of the Senate and the
Speaker of the House of Representatives

We have audited the statements of financial position of the Capitol Preservation Fund as of September 30, 1999 and 1998, and the related statements of activities and statements of cash flows for the fiscal years then ended. We found

- the financial statements were fairly presented in conformity with generally accepted accounting principles,
- no material weaknesses in the internal controls we tested, and
- no reportable noncompliance with selected provisions of laws and regulations we tested for the fiscal year ended September 30, 1999.

The following sections provide additional detail concerning our conclusions and the scope of our audit.

Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in all material respects, in conformity with generally accepted accounting principles, the Capitol Preservation Fund's financial position as of September 30, 1999 and 1998, and the results of its activities and its cash flows for the fiscal years then ended.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules presented by source of funds as of and for the periods ended September 30, 1999 and 1998 are presented for the purpose of additional analysis and are not a required part of the financial statements. This information has been subjected to the audit procedures applied to the audit of the consolidated financial statements. In our opinion, the information in the supplemental schedules is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Consideration of Internal Controls

We gained an understanding of internal controls designed to

- safeguard assets against loss from unauthorized acquisition, use, or disposition;

-
- assure the execution of transactions in accordance with management's authority and with laws and regulations that could have a direct and material effect on the financial statements; and
 - properly record, process, and summarize transactions to permit the preparation of reliable financial statements and to maintain accountability over assets.

The objective of our internal control work was to determine procedures for auditing the financial statements, not to express an opinion on internal controls. Accordingly, we do not express such an opinion. However, for the controls we tested, we found no material weaknesses in the system of internal control and its operations for the fiscal year ended September 30, 1999. A material weakness is a reportable condition¹ in which the design or operation of the internal controls does not reduce to a relatively low level the risk that losses, noncompliance, or misstatements in amounts that would be material in relation to the financial statements may occur and not be detected promptly by employees in the normal course of their assigned duties. Our internal control work would not necessarily disclose all material weaknesses.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

The management of the Capitol Preservation Commission is responsible for

- preparing the Fund's annual financial statements in conformity with generally accepted accounting principles,

¹Reportable conditions involve matters coming to the auditor's attention relating to significant deficiencies in the design or operation of internal controls that, in the auditor's judgment, could adversely affect an entity's ability to (1) safeguard assets against loss from unauthorized acquisition, use, or disposition, (2) ensure the execution of transactions in accordance with management's authority and with laws and regulations, and (3) properly record, process, and summarize transactions to permit the preparation of financial statements and to maintain accountability for assets.

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- establishing and maintaining the Fund's internal controls to provide reasonable assurance that the internal control objectives mentioned above are met, and
 - complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are free of material misstatements and presented fairly, in all material respects, in conformity with generally accepted accounting principles. Also, we are responsible for obtaining a sufficient understanding of internal controls to plan the audit and for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements.

To fulfill these responsibilities, we

- examined evidence supporting the amounts and disclosures in the financial statements and notes;
- assessed the accounting principles used by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the internal controls related to safeguarding assets, compliance with laws and regulations, and financial reporting; and
- tested compliance with selected provisions of laws and regulations.

We conducted our audit in accordance with generally accepted government auditing standards.

Architect of the Capitol and Library of Congress Comments

We provided a draft of our report to the Architect of the Capitol and to the Director of Financial Services for the Library of Congress for review and comment. As needed, the Office of the Architect of the Capitol has provided project support and assistance to the Capitol Preservation Commission. The Library of Congress provides financial management services for the Capitol Preservation Fund, including preparing the Fund's financial statements. The Architect and the Director agreed with the contents of our report.

We appreciate the cooperation and assistance the Architect of the Capitol and the Library of Congress management and staff provided during our audit of the Capitol Preservation Fund's fiscal years 1999 and 1998 financial statements. If you have any questions regarding this report, please contact

me or John J. Reilly at (202) 512-9406. Key contributors to this assignment were Patricia Summers and Greg Ziombra.

A handwritten signature in black ink that reads "Robert W. Gramling". The signature is written in a cursive style with a large, stylized initial 'R' and a long, sweeping tail on the 'g'.

Robert W. Gramling
Director, Corporate Audits
and Standards

January 14, 2000

Financial Statements

Statements of Financial Position

CAPITOL PRESERVATION FUND STATEMENTS OF FINANCIAL POSITION

as of September 30

	<u>1999</u>	<u>1998</u>
Assets		
Cash	\$ 4,072	\$ 13,010
Investments, net (note 3)	27,627,052	26,358,601
Accrued interest receivable on investments	<u>298,949</u>	<u>283,875</u>
Total assets	<u>\$ 27,930,073</u>	<u>\$ 26,655,486</u>
Liabilities and Net Assets		
Total liabilities	0	0
Net Assets		
Unrestricted net assets	<u>\$ 27,930,073</u>	<u>\$ 26,655,486</u>
Total net assets	<u>\$ 27,930,073</u>	<u>\$ 26,655,486</u>
Total Liabilities and Net Assets	<u>\$ 27,930,073</u>	<u>\$ 26,655,486</u>

The accompanying notes are an integral part of these financial statements.

Statements of Activities

CAPITOL PRESERVATION FUND
STATEMENTS OF ACTIVITIES

for the Fiscal Years Ended September 30

	<u>1999</u>	<u>1998</u>
Changes in Unrestricted Net Assets		
Operating Revenues		
Interest (note 4)	\$1,274,587	\$1,350,848
Total operating revenues	<u>\$1,274,587</u>	<u>\$1,350,848</u>
Operating Expenses		
Publications	<u>0</u>	<u>2,900</u>
Total operating expenses	0	2,900
Increase in unrestricted net assets	\$1,274,587	\$1,347,948
Increase in Net Assets	\$1,274,587	\$1,347,948
Net Assets at Beginning of Year	<u>\$26,655,486</u>	<u>\$25,307,538</u>
Net Assets at Year-End	<u>\$27,930,073</u>	<u>\$26,655,486</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

CAPITOL PRESERVATION FUND
STATEMENTS OF CASH FLOWS

for the Fiscal Years Ended September 30

	<u>1999</u>	<u>1998</u>
Cash Flows From Operating Activities		
Interest received	\$1,259,513	\$1,331,608
Cash paid for expenses	<u>0</u>	<u>(2,900)</u>
Net cash provided from operating activities	\$1,259,513	\$1,328,708
Cash Flows From Investing Activities		
Purchases of Treasury securities	\$(56,175,937)	\$(53,997,219)
Maturities of Treasury securities	<u>54,907,486</u>	<u>52,658,373</u>
Net cash provided from investing activities	\$(1,268,451)	\$(1,338,846)
Net (Decrease) Increase in Cash	\$ (8,938)	\$ (10,138)
Cash at beginning of year	<u>13,010</u>	<u>23,148</u>
Cash at end of year	<u>\$4,072</u>	<u>\$13,010</u>
Reconciliation of Changes in Net Assets to Net Cash From Operating Activities		
Changes in Net Assets	\$1,274,587	\$1,347,948
Adjustments to reconcile changes in net assets to net cash provided from operating activities		
Decrease (increase) in accrued interest	<u>(15,074)</u>	<u>(19,240)</u>
Total Adjustments	(15,074)	(19,240)
Net Cash From Operating Activities	<u>\$1,259,513</u>	<u>\$1,328,708</u>

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

CAPITOL PRESERVATION FUND
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Description of Entity

The Capitol Preservation Commission (the Commission) was established under Title VIII of Public Law 100-696 in November 1988 for the purpose of providing for improvements in, preservation of, and acquisitions for the United States Capitol and providing works of fine art and other property for display in the United States Capitol and other locations under the control of the Congress.

To finance improvement, preservation, and acquisition activities of the Commission, Title VIII of Public Law 100-696 established the Capitol Preservation Fund (the Fund) within the U.S. Treasury. The Fund consists of assets provided through deposits of charitable contributions, surcharges received by the Secretary of the Treasury from the sale of coins under the Bicentennial of the United States Congress Commemorative Coin Act, and the Bicentennial of the United States Capitol Commemorative Coin Act and interest on the invested portions of the Fund's assets. Fund assets not required to finance current improvement, preservation, and acquisition activities are invested in interest-bearing obligations of the United States.

In accordance with its rules, the Commission may fund or assist in the funding of improvements to the Capitol Building and surrounding grounds if such improvements are authorized, undertaken, and completed under the procedures established by the Congress for such purposes. With respect to works of fine art and other property for display, the Commission is authorized to expend \$400,000 (\$200,000 for the House of Representatives and \$200,000 for the Senate) for the purchase of art, furnishings, or items of historical interest provided that such expenses are approved by a majority of the members of the Commission from the body of Congress for which such purchases are made. However, the Commission may not maintain any collection of fine or decorative art, or other property, but may assist in the transfer of such items to a Congressional entity (such as the Senate Commission on Art, the House Fine Arts Board, or the Joint Committee on the Library) or facilitate the disposal of items.

The Architect of the Capitol, the Senate Commission on Art, and the House of Representatives Fine Arts Board are required by Public Law 100-696 (1988) to provide staff support and assistance to the Commission. As necessary, the Architect of the Capitol awards contracts and procures goods and services to complete projects established by the Commission, and ensures that goods and services purchased from vendors are received. Similarly, the Library of Congress, pursuant to Public Law 101-45 (1989), is required to provide financial management services for the Commission. These services include coordinating activities with the Department of the Treasury for the deposit, disbursement, investment, and management of the Capitol Preservation Fund. In addition to these congressional entities, the Secretary of the Senate and the Clerk of the House of Representatives, pursuant to Commission Rules, provide additional support and assistance.

Note 2. Summary of Significant Accounting Policies

The Fund's financial statements have been prepared in accordance with generally accepted accounting principles and reflect--on an accrual basis--the receipt and use of the Fund's assets to finance the Commission's improvement, preservation, and acquisition activities.

Effective for fiscal year 1996, the Fund's financial statements became subject to accounting and disclosure requirements applicable to not-for-profit organizations--specifically Statements of Financial Accounting Standards Nos. 116, 117, and 124. These requirements include accounting and disclosure guidelines for investments, contributions received and made, and the form and content of financial statements. However, these requirements have had only limited impact on the Fund's financial statements because (1) the Fund received no contributions during fiscal years 1999 and 1998 and no prior year contributions contained outstanding restrictions, (2) the Fund's assets are unrestricted, and (3) the Fund's investments are invested in relatively short term (3 and 6 month) interest-bearing Treasury obligations.

The Architect of the Capitol, the Library of Congress, and other congressional entities are required by law to provide support services to the Commission. The cost of these services are, by their nature, indirect, difficult to quantify, and financed with appropriated funds of the other entities. To the extent that these services are provided, they are not considered operating expenses of the Fund.

Once approved and funded by the Commission, the improvements, preservation, and acquisitions are transferred to the Architect of the Capitol and/or other congressional entities. Through their transfer, these assets become the accounting responsibility of other congressional entities and are not considered assets of the Fund.

Note 3. Investments, Net

Deposits to the Fund from contributions, coin surcharges, and interest on invested funds that are not needed currently to finance improvement, preservation, and acquisition activities are invested in interest-bearing obligations of the United States, which are purchased from the U. S. Treasury at a discount. The Commission has directed the Library of Congress to invest funds derived from contributions in 3-month Treasury securities and funds derived from coin surcharges in 6-month Treasury securities. The values of investments outstanding as of September 30, 1999 and 1998, net of discounts were \$27,627,052 and \$26,358,601 respectively. Annual investment rates ranged from 3.32 percent to 4.96 percent in fiscal year 1999, and from 4.58 percent to 5.46 percent in fiscal year 1998.

Outstanding Investments as of September 30

	<u>1999</u>	<u>1998</u>
Face value of investments	\$28,285,000	\$ 26,999,000
Less: discounts	<u>(657,948)</u>	<u>(640,399)</u>
Investments, Net of Discounts	<u>\$27,627,052</u>	<u>\$26,358,601</u>

Note 4. Revenues

Earned revenues during fiscal year 1999 of \$1,274,587 and fiscal year 1998 earned revenues of \$1,350,848 consisted only of interest on United States Treasury obligations.

Supplemental Schedules

Schedules of Financial Position - Coin Sales Surcharge Fund

CAPITOL PRESERVATION FUND
SCHEDULES OF FINANCIAL POSITION
COIN SALES SURCHARGE FUND
as of September 30

	1999	1998
Assets		
Cash	\$ 1,354	\$ 7,959
Investments, net	26,642,688	25,419,633
Accrued interest receivable on investments	294,318	280,469
Total assets	\$ <u>26,938,360</u>	\$ <u>25,708,061</u>
Liabilities and Net Assets		
Total liabilities	0	0
Net Assets		
Unrestricted net assets	\$ <u>26,938,360</u>	\$ <u>25,708,061</u>
Total net assets	\$ <u>26,938,360</u>	\$ <u>25,708,061</u>
Total Liabilities and Net Assets	\$ 26,938,360	\$ 25,708,061

Schedules of Financial Position - Gifts and Sales of Art, Property and Money Fund

**CAPITOL PRESERVATION FUND
SCHEDULES OF FINANCIAL POSITION
GIFTS AND SALES OF ART, PROPERTY AND MONEY FUND
as of September 30**

	1999	1998
Assets		
Cash	\$ 2,718	\$ 5,051
Investments, net	984,364	938,968
Accrued interest receivable on investments	4,631	3,406
Total assets	\$ 991,713	\$ 947,425
Liabilities and Net Assets		
Total liabilities	0	0
Net Assets		
Unrestricted net assets	\$ 991,713	\$ 947,425
Total net assets	\$ 991,713	\$ 947,425
Total Liabilities and Net Assets	\$ 991,713	\$ 947,425

Schedules of Activities - Coin Sales Surcharge Fund

**CAPITOL PRESERVATION FUND
SCHEDULES OF ACTIVITIES
COIN SALES SURCHARGE FUND
for the Fiscal Years Ended September 30**

	<u>1999</u>	<u>1998</u>
Changes in Unrestricted Net Assets		
Operating Revenues		
Interest	\$ 1,230,299	\$ 1,304,176
Total operating revenues	\$ 1,230,299	\$ 1,304,176
Operating Expenses		
Publications	\$ 0	\$ 2,900
Total operating expenses	\$ 0	\$ 2,900
Increase in unrestricted net assets	\$ 1,230,299	\$ 1,301,276
Increase in Net Assets	\$ 1,230,299	\$ 1,301,276
Net Assets at Beginning of Year	\$ 25,708,061	\$ 24,406,785
Net Assets at Year-End	<u>\$ 26,938,360</u>	<u>\$ 25,708,061</u>

Supplemental Schedules

Schedules of Activities - Gifts and Sales of Art, Property and Money Fund

**CAPITOL PRESERVATION FUND
SCHEDULES OF ACTIVITIES
GIFTS AND SALES OF ART, PROPERTY AND MONEY FUND
for the Fiscal Years Ended September 30**

	<u>1999</u>	<u>1998</u>
Changes in Unrestricted Net Assets		
Operating Revenues		
Interest	\$ 44,288	\$ 46,672
Total operating revenues	\$ 44,288	\$ 46,672
Operating Expenses	\$ 0	\$ 0
Increase in unrestricted net assets	\$ 44,288	\$ 46,672
Increase in Net Assets	\$ 44,288	\$ 46,672
Net Assets at Beginning of Year	\$ 947,425	\$ 900,753
Net Assets at Year-End	\$ <u>991,713</u>	\$ <u>947,425</u>

Supplemental Schedules

Schedules of Cash Flows - Coin Sales Surcharge Fund

**CAPITOL PRESERVATION FUND
SCHEDULES OF CASH FLOWS
COIN SALES SURCHARGE FUND
for the Fiscal Years Ended September 30**

	<u>1999</u>	<u>1998</u>
Cash Flows From Operating Activities		
Interest received	\$ 1,216,450	\$ 1,283,010
Cash paid for expenses	<u>0</u>	<u>(2,900)</u>
Net cash provided from operating activities	\$ 1,216,450	\$ 1,280,110
Cash Flows From Investing Activities		
Purchases of Treasury securities	\$ (52,702,605)	(50,189,938)
Maturities of Treasury securities	<u>51,479,550</u>	<u>48,901,990</u>
Net cash provided from investing activities	\$ (1,223,055)	\$ (1,287,948)
Net (Decrease) Increase in Cash	\$ (6,605)	\$ (7,838)
Cash at beginning of year	<u>7,959</u>	<u>15,797</u>
Cash at end of year	\$ <u>1,354</u>	\$ <u>7,959</u>
Reconciliation of Changes in Net Assets to Net Cash From Operating Activities		
Changes in Net Assets	\$ 1,230,299	\$ 1,301,276
Adjustments to reconcile changes in net assets to net cash provided from operating activities		
Decrease (increase) in accrued interest	<u>(13,849)</u>	<u>(21,166)</u>
Total Adjustments	(13,849)	(21,166)
Net Cash From Operating Activities	\$ <u>1,216,450</u>	\$ <u>1,280,110</u>

Schedules of Cash Flows - Gifts and Sales of Art, Property and Money Fund

**CAPITOL PRESERVATION FUND
SCHEDULES OF CASH FLOWS
GIFTS AND SALES OF ART, PROPERTY AND MONEY FUND
for the Fiscal Years Ended September 30**

	1999	1998
Cash Flows From Operating Activities		
Interest received	\$ 43,063	\$ 48,598
Net cash provided from operating activities	\$ 43,063	\$ 48,598
Cash Flows From Investing Activities		
Purchases of Treasury securities	\$ (3,473,332)	\$ (3,807,281)
Maturities of Treasury securities	3,427,936	3,756,383
Net cash provided from investing activities	\$ (45,396)	\$ (50,898)
Net (Decrease) Increase in Cash	\$ (2,333)	\$ (2,300)
Cash at beginning of year	5,051	7,351
Cash at end of year	\$ 2,718	\$ 5,051
Reconciliation of Changes in Net Assets to Net Cash From Operating Activities		
Changes in Net Assets	\$ 44,288	\$ 46,672
Adjustments to reconcile changes in net assets to net cash provided from operating activities		
Decrease (increase) in accrued interest	(1,225)	1,926
Total Adjustments	(1,225)	1,926
Net Cash From Operating Activities	\$ 43,063	\$ 48,598

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